

Procedure to Process Emergency Payroll Payments

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Overview – Processing Payroll Outside the Normal Payroll Process

Circumstances may arise which could require an agency to process payroll outside the normal payroll process. These circumstances will vary in nature by the:

- Number of days advance notice
- Location of employee
 - Olympia area
 - Outside Olympia area
- Number of employees involved
 - Manual/system calculation of payroll
 - Adequacy of available petty cash funds
 - Tax deposit requirements
 - Remittance of voluntary deductions
- Cash type of agency operating account (treasury or local)

Because of these variables, there are several approaches to timely disburse payroll for the affected employees:

- Preferred approach: If an agency has sufficient notice of the need and is able to process and distribute payroll warrants to the affected employees, the agency should use the **AFRS Next Day Warrant** process.
- Other Options:
 - **Petty cash** can be used to make payroll payments to employees when there would be an undue delay processing the payments through the normal payroll process. If an agency does not have a petty cash account, one can be requested. Refer to the *State Administrative and Accounting Manual* (SAAM) Sub section 85.50.60 or 85.50.70, as applicable. If an agency would like to use petty cash, but does not have sufficient available balance, then an emergency advance can be requested:

If an agency operates in a treasury account, use the **Emergency Petty Cash Advance – Treasury Accounts** process to increase funds to desired level.

If agency operates in a local or treasury trust account, use the **Emergency Petty Cash Advance – Local and Treasury Trust Accounts** process to increase funds to desired level.

- The **DIS Same Day Warrant** process is an option if same day payment is needed and employee(s) work in the Olympia vicinity. A DIS same day warrant must be requested by first contacting the Office of State Treasurer (OST) by 11:00 a.m. the day the warrant is needed. Because this is a labor-intensive process, it is recommended that agencies use it only if other options are not available.

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I. Process Payment for Employee's Net Pay

AFRS Next Day Warrant:

1. Determine the net pay amount through the Payroll System pre-balance/simulation process or manually. Be sure all rates used by the pre-balance calculation are appropriate for the time period that the emergency payroll payment covers. Using the Payroll System pre-balance/simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
2. Prepare a Voucher Distribution Form A19-2A (refer to sample attached on page 15) indicating the following:
 - Payee
 - Reason for the payment
 - Transaction Code is 955 (Variable 1324/5111)
 - Account 035
 - Variable General Ledger Code 1324
 - Amount (NET PAY).
3. Process the A19-2A in AFRS.
4. Enter the transactions in AFRS and release the batch. The hours that AFRS is normally available are:
 - Weekdays between 6:30 a.m. and 7:30 p.m.
 - Saturdays between 7:00 a.m. and 7:30 p.m.
 - Sundays between 7:00 a.m. and 1:00 p.m.
 - If access to AFRS transaction input and batch release is not available, take the Form A19-2A to the agency accounts payable staff and ask them to batch the documents, input, and release the batch in AFRS.

Note: AFRS batches entered on Saturdays, Sundays, and holidays will not be processed until the evening of the next business day.
5. Notify OST of the need to pick up the emergency payroll warrant. If the warrant is needed before the regular time (early afternoon), call the Warrant Management section at the Office of State Treasurer (OST), (360) 902-8989 or (360) 902-8985. If possible, call the same day the emergency payment is input. Otherwise, call first thing the next morning. Inform OST that the agency has emergency payroll warrant(s) that need to be picked up as early as possible. OST will let the agency know approximately when the warrants(s) will be ready for pick up.
6. Pick up warrant from OST per internal agency procedures.

Note: The individual who is authorized to pick up AFRS warrants at OST must pick up the warrant. The agency accounts payable staff should know who this individual is. If not, ask OST who is the authorized person for the agency, so that he/she can be notified of the special pick up time.

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To request authorization for employees to pick up warrants, the following procedure must be followed:

- A memo from the agency (on agency letterhead) needs to be sent to OST:
 - Fiscal Officer or agency head must sign.
 - The memo must state who needs to be added to and deleted from OST's list of agency employees authorized to pick up warrants.
 - For employees being added, include two copies of their current ID or driver's license. There can be more than one copy per page.
 - The memo must include a listing of all current and new employees authorized to pick up warrants. A list can be attached to the memo.
 - Include the phone number of the Fiscal Officer or agency head who signed the memo.
- The memo and attachments can be delivered to OST in one of the following ways:
 - Send them through campus mail to OST, Warrant Management, Mail Stop 40207.
 - If campus mail is not available, send them through US mail to the State Treasurer, P.O. Box 40207, Olympia, WA, 98504-0207.
 - The employee can hand carry them to OST to the General Administration Building.

7. Agency distributes emergency payroll warrants per internal agency procedures.

Note: This process records the net warrant in the State Payroll Revolving Account 035 in General Ledger Code 1324 "Payroll Receivables." Additional entries are needed to recognize the expenditures in the operating account, refund the revolving account, and pay applicable vendors. Refer to Section II of this document.

Petty Cash:

1. **Petty cash** can be used to make payroll payments to employees when there would be an undue delay processing the payments through the normal payroll process. Refer to SAAM Sub section 85.50.60 (for treasury accounts) and 85.50.70 (for local and treasury trust accounts).
2. Determine the net pay amount through the Payroll System pre-balance/simulation process or manually. Be sure all rates used by the pre-balance calculation are appropriate for the time period that the emergency payroll payment covers. Using the Payroll System pre-balance/simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
3. Disburse payroll through petty cash per internal agency procedures.
4. At the first available opportunity, process the payroll through the Payroll System to properly record the employee earnings/deductions in the system and create a warrant to reimburse the agency for the amount disbursed through petty cash.
5. Deposit the warrant to reimburse the petty cash advance.

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Emergency Petty Cash Advance – Treasury Accounts

When an agency operates in a treasury account and needs to increase the balance of its petty cash fund to cover emergency payroll payments an **Emergency Petty Cash Advance – Treasury Accounts** can be requested.

1. Following SAAM 85.50.60, the agency is to submit the “Application and Authorization for Petty Cash Advances, Treasury Funds” form (A-37) to OFM. Given the emergency nature of the need, the agency should notify their Accounting Consultant of the situation and fax the form to (360) 664-3388.

OFM will expedite approval of the form and give notice to OST that an emergency request is being processed.

2. To expedite the availability of funds, the agency should work with OST to have the approved petty cash advance electronically transferred into the agency’s petty cash account.

A letter of authorization on agency letterhead signed by a responsible agency official should accompany an EFT JV that includes the agency’s petty cash account banking information. The agency should give OST as much notice as possible to minimize banking costs and ensure timely transfer of funds.

3. Once the funds are available in the petty cash account, the agency should follow the **Petty Cash** process outlined above to make emergency payroll payments.

Emergency Petty Cash Advance – Local and Treasury Trust Accounts

When an agency operates in a local or treasury trust account and needs to increase the balance of its petty cash fund to cover emergency payroll payments an **Emergency Petty Cash Advance – Local and Treasury Trust Accounts** can be requested.

1. Follow SAAM 85.50.70.a to request approval for petty cash advance.
2. Process the advance:
 - a. For **local accounts**, follow agency defined procedures.
 - b. For **treasury trust accounts**, the agency should work with OST to have the approved petty cash advance electronically transferred into the agency’s petty cash account. A letter of authorization on agency letterhead signed by a responsible agency official should accompany an EFT JV that includes the agency’s petty cash account banking information. The agency should give OST as much notice as possible to minimize banking costs and ensure timely transfer of funds.
3. Once sufficient funds are available in the petty cash account, the agency should follow **Petty Cash** process outlined above to make emergency payroll payments.

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DIS Same Day Warrant:

1. Determine the net pay amount through the Payroll System pre-balance/simulation process or manually. Be sure all rates used by the pre-balance calculation are appropriate for the time period that the emergency payroll payment covers. Using the Payroll System pre-balance/simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
2. Call OST for approval. Contact: Warrant Management, (360) 902-8989. If there is no answer, press 0.
 - Provide the following information:
 - Agency
 - Number of warrants needed
 - Amount for each warrant (NET PAY).
3. OST will call DIS to let them know that a same day warrant has been approved. The following information will also be given:
 - Agency number
 - Agency contact name
 - Agency contact phone number
4. Prepare a Voucher Distribution Form A19-2A (refer to sample at Section VI of this document) indicating the following:
 - Payee
 - Reason for the payment
 - Transaction Code is 932 (Variable 1324/7120)
 - Account 035
 - Variable General Ledger 1324
 - Amount (NET PAY).

Note: Leave the current document number blank. The current document number, which is required on Form A19-2A, must match the current document number created by OST below.
5. Fax Form A19-2A to DIS (OB2) at (360) 586-9415. Call (360) 902-3254 before you send the fax. For backup call (360) 902-3100, then fax to DIS at the Adams Bldg., (360) 586-7454. Provide the name of the person who will pick up the warrant. This person's name will be noted on the faxed Form A19-2A. Workload Services at OB-2 will call the requesting agency when ready. The warrant will be ready some time after 1:30 p.m.
6. Pick up the warrant and Form A19-2A. When the requesting agency receives the call that the warrant is ready, go to the Workload Services window at DIS in OB-2 for pick up. The phone number for Workload Services is (360) 902-3200.

Note: Only authorized individuals are allowed to pick up warrants at DIS. The person identified on the Form A19-2A to pick up the warrant must show his/her current picture ID or driver's license to DIS before the warrant and Form A19-2A are released.

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7. Requesting agency takes the warrant and Form A19-2A to OST for verification and logging. OST is located in the General Administration Building.
8. Take the warrant and warrant register back to the agency. Agency distributes emergency pay warrants per internal agency procedures.
9. Process the A19-2A in AFRS to clear the in-process entry posted by OST.
 - The requesting agency will have a Transaction Code 750 (7120/4310) for the DIS same day warrant on their Unbalanced In-Process Reconciliation Report.
 - Enter the current document number as indicated on the Unbalanced In-Process Reconciliation Report; Warrant Register number.

Note: This process records the net warrant in the State Payroll Revolving Account 035 in General Ledger Code 1324 “Payroll Receivables.” Additional entries are needed to recognize the expenditures in the operating account, refund the revolving account, and pay applicable vendors. Refer to Section II of this document.

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II. Recording Expenditures for Emergency Payroll Payments

In the first section, the employee's net pay was issued. The second section contains procedures for two different options to record the expenditures and FTEs in the operating account, pay the required vendors/deductions, and reimburse the agency's operating account for the emergency payroll payment.

- **Option 1:** The Payroll System is used to calculate payroll and related expenditures and generate a warrant to reimburse the agency's operating account for the emergency payroll payment.
- **Option 2:** Net pay and related payroll expenditures are calculated manually and payroll related payments are disbursed through the Payroll Revolving Account 035.

Option 1: Recording emergency payroll expenditures through the Payroll System:

Recording emergency payroll payments through the Payroll System accomplishes all that is required in most instances.

1. Record the emergency payroll in the Payroll System normally, but use a miscellaneous deduction to direct the net pay amount to the agency. The miscellaneous deduction warrant will reimburse the agency for whatever funds were used for the emergency net pay amount. This action in the Payroll System should result in a zero net pay situation to the employee. Complete a pre-balance/simulation to ensure the zero net pay.
 - For pay actions that are processed through the Payroll System, there are a variety of miscellaneous deduction codes that can be used to reimburse the agency for the emergency payment. Contact HRISD at (360) 664-6400 for assistance as to which miscellaneous deduction code to use.
 - Ensure the rates for federal income tax, social security, medicare, retirement, medical aid, and employee health insurance premiums are correct and will not be changing by the time the pay action is completed in the Payroll System. Otherwise, a zero net pay warrant may not be produced.
 - Processing the pay action through the system is preferred. However, there are certain times (such as after the December 24 payroll) that this is not advisable. OFM and HRISD do not recommend processing payments for the current year in the Payroll System in an ensuing calendar year. Rates can change, taxes are deposited in the incorrect reporting period, and year-to-date adjustments are needed for both years. The current year will need to be increased, and the ensuing year will need to be decreased.
2. Deposit the warrant created by the miscellaneous deduction code and record the deposit in AFRS to reimburse the agency by using a Cash Receipts Journal Summary, Form A8-A:
 - Verify the amount is the same amount that the employee received.
 - Current document number is agency assigned.

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- Transaction Code is 090 (7110/1324V).
- Account 035.
- Variable General Ledger Code 1324.

Update Year-To-Date Totals for applicable wage data:

- If the payment is for the current calendar year, the HRISD Year-To-Date file will be updated as part of the payroll process.
- If the HRISD Year-To-Date file is closed for the affected calendar year, manually increase the last official hard copy of the HRISD W-2 report for the calendar year and issue a Form W-2c. A Form W-3c will need to be sent to the Social Security Administration along with a copy of the Form W-2c. Refer to SSA W-2c reporting procedures.
 - Update the final HRISD W-2 report.
 - Update the HRSID match report. Forms 941, 941c, W-2, and W-2c must balance.

Option 2: Recording Emergency Payroll Expenditures Manually:

1. Prepare a JV to record expenditures for gross wages and related employer costs in the applicable operating account, to transfer to Account 035 to reimburse for the emergency payroll payment, and to set up payables to disburse other costs (refer to sample at Section VII of this document). This file is located in the OFM Payroll resources website:
<http://www.ofm.wa.gov/policy/payroll.htm>.
 - a) Charge operating account – dollars will be transferred to Account 035.
 - Current document number is agency assigned.
 - Charge the operating account and program structure for gross pay plus employer costs:
 - Transaction Code is 263 (6510/7140).
 - Gross Pay (object A series).
 - Employer portion of Social Security (Sub object BA).
 - Employer portion of Retirement (Sub object BB).
 - Employer portion of Medical Aid and Industrial Insurance (Sub object BC).
 - Employer portion of Medicare (Sub object BH).
 - b) Transfer dollars into appropriate general ledger codes within Account 035:

GL Code 1324:

- Reduce receivable for net pay previously paid:
 - Credit Account 035 for the amount of the emergency same day warrant.
 - Transaction Code is 966 (7140/1324Variable).

GL Code 5124:

- Credit Account 035 for the employee and employer share due L&I:
 - Transaction Code is 966 (7140/5124Variable).
 - Note: Pay with the next available quarter's report.

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GL Code 5181:

- If the employee has a medical insurance premium deduction, use Transaction Code 327 (7140/5181) for the amount of the health insurance premium.
- HCA charges the operating account for employer share in state share process.
- HCA will charge GL 5181 during the state share process to transfer both the employee and employer contributions to HCA.

GL Code 5199:

- Set up payables to vendors in Account 035, GL 5199:
 - IRS (Employee and Employer Portion of federal income tax, social security, and Medicare).
 - Retirement (both employee and employer shares).
 - Miscellaneous deductions.
 - Transaction code is 966 (7140/5199Variable).
2. Prepare a JV to record FTEs to the operating account using a JV (refer to sample at Section VIII of this document). This file is located in the OFM Payroll resources website: <http://www.ofm.wa.gov/policy/payroll.htm>.
 - Current document number is agency assigned.
 - Charge the operating account and program structure coding.
 - Transaction Code is 894 (0120/0998).
 3. Immediately pay all vendors from GL 5199:
 - The tax deposit for federal income tax, social security, and Medicare (both employee and employer portions) is processed by EFTPS via OST. Contact the OST at (360) 902-8906, 902-8908, or 902-8909 for procedures. Also, contact OFM at (360) 664-7681 for details on proper tax reporting. Use Transaction Code 795 to liquidate other liabilities (5199/7120).
 - Retirement amounts are paid via JV directly to the Department of Retirement Systems (DRS). Use Transaction Code 965 for JV Disbursement (5199V/7140). Contact DRS directly for questions.
 - Other vendors may have specific requirements on how payment should be made. Contact them directly for instructions.
 4. Update Year-To-Date Totals for applicable wage data:
 - Update HRISD Year-To-Date file if still open for the appropriate calendar year.
 - If the HRISD Year-To-Date file is closed, manually increase the last official hard copy of the HRISD W-2 report for the calendar year and issue a Form W-2c. A Form W-3c will need to be sent to the Social Security Administration along with a copy of the Form W-2c. Refer to SSA W-2c reporting procedures.
 - Update the final HRISD W-2 report.
 - Update the HRISD match report. Forms 941, 941c, W-2, and W-2c must balance.

Note: It is critical that Account 035 is reimbursed and reconciled on a timely basis. Doing so will ensure that the account will not incur a negative cash situation.

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III. Abbreviations Legend

A-19	Voucher Distribution (state form A19-2A)
AFRS	Agency Financial Reporting System
DIS	Department of Information Services
DRS	Department of Retirement Systems
EE	Employee
EFTPS	Electronic Fund Transfer Payment System
ER	Employer
FTE	Full-Time Equivalent
GL	General Ledger
HCA	Health Care Authority
HRISD	Human Resource Information Systems Division of the Department of Personnel
IRS	Internal Revenue Service
JV	Journal Voucher (state form A7-A)
L&I	Department of Labor and Industries
MDR	Miscellaneous Deduction Register
OFM	Office of Financial Management
OST	Office of the State Treasurer
SSA	Social Security Administration

IV. Payroll Resources Website (location of this procedure and sample JVs)

<http://www.ofm.wa.gov/policy/payroll.htm>

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V. Federal Employment Tax Deposit Requirements and Considerations Internal Revenue Service Publication 15, Circular E

Emergency Payroll Payment Issues

When an emergency payroll payment is issued, a decision must immediately be made as to when the federal employment taxes must be deposited to the Internal Revenue Service (IRS) to avoid interest and penalty fees. These taxes include the federal income tax, social security, and Medicare deductions from the employee and the matching employer social security and Medicare taxes.

Considerations

Payment distribution day starts the liability period. The day that the warrant or check is provided to the employee is considered the pay date. This is the day liability for depositing the taxes starts and the beginning day to which the deposit regulations apply.

The IRS deposit rules are discussed fully in Publication 15, Circular E. First, determine what type of depositor the agency this is, dependent on the total amount of taxes deposited during the appropriate Lookback Period that pertains to the specific situation.

The \$100,000 Next Day Deposit Rule is only technically applicable when an employer's total federal employment tax liability is \$100,000 or more for a pay date. Remember, OFM requires all agencies using the HRISD payroll system to have each agency's *system generated* payroll tax liability deposited the next day. This is due to the complications involved in attempting to set different deposit actions for different agency liability levels.

Including the emergency payment in the next payroll cycle WILL NOT generally meet the IRS required deposit dates. Agencies must determine if manual steps need to be taken to ensure compliance regarding IRS deposit rules. Use the specific IRS criteria to select the appropriate tax deposit due date for emergency payroll payments.

Updating Manual Payroll Issues in the Payroll System - Consequences

If an agency wants to update the Payroll System for the emergency payroll payment, a zero net warrant to the employee needs to be produced. This action requires all the appropriate federal employment taxes to be taken.

However, if the tax deposit produced by the Payroll System will be later than the IRS required deposit date for that emergency payment, then an extra manual tax deposit would need to be made earlier to meet compliance rules.

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How to Make Earlier Manual Tax Deposits “Off the Payroll System”

To make an earlier IRS tax deposit, contact the Treasurer’s Office (OST) to submit a tax deposit payment via journal voucher to OST. They will forward this payment to IRS for you. Because all agencies are now enrolled on the required federal electronic EFTPS deposit system, individual bank deposits w/coupons is no longer permissible. Contact OST at 360-902-8906, 8908, or 8909 for processing instructions. The agency should record this earlier payment as a receivable – Due From the Federal Government - ST (GL1351). It is recommended that this payment be made from an agency’s operating account rather than Account 035.

How to Request Refunds for Double Tax Deposits

Since the tax deposit will have been doubled for this situation, request a refund on that applicable quarter’s Form 941, showing a tax overpayment status. When the IRS refund is received, deposit this refund to the Account/GL1351 that recorded the deposit noted in the prior paragraph.

Alternately, a refund request could be made by using a Form 843, Claim for Refund and Request for Abatement. This request should only be submitted *after* the second tax deposit has been made. The refund request would relate to the second tax deposit, not the manual deposit which covered the actual due date required by IRS.

OFM Assistance

Call the OFM Payroll Consulting Unit at (360) 664-7681 if assistance is required.

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VI. Sample A19-2A Voucher Distribution: Net Pay Disbursed Using DIS Same Day Warrant

[illegible]

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VII. Sample A7-AE Journal Voucher: Record Payroll Expenditure and Transfer to Account 035

[illegible]

GL Codes: 1324 = Payroll Receivables 5124 = Accrued Salaries and Fringe Benefits Payable 5181 = Employee Insurance Deductions Payable
5199 = Other Liabilities 6510 = Cash Expenditures/Expenses 7140 = Journal Vouchers In Process

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VIII. Sample A7-AE Journal: Record FTE

[illegible]

GL Codes: 0120=Actual FTEs 0998=Statistical Clearing Account